



MANAGING PERSONAL FINANCES





The Navy Personal Financial Management Program



- **Can keep you from:**
 - **Losing a security clearance.**
 - **Being removed from NEC.**
 - **Losing a duty assignment and failure to screen for overseas duty.**
 - **Have wages garnished from paycheck.**
 - **Losing re-enlistment privileges and SRB.**
 - **Having disciplinary action taken by the command.**
 - **Being administratively discharged.**



Results of Military Survey

The Services are processing more than 123,000 Letters of Indebtedness each year.

The exchange system is processing an average of 99,000 bad checks per year, and 75,000 for the commissaries.

Approximately 35,000 personnel have their wages garnished each year.

Of all the security clearances revoked, an average of 60% involved financial reasons.



Military Survey



27% Of service members reported having trouble paying their bills.

21% Said they have received pressure from bill collectors.

19% Said they have trouble making ends meet.

9% Have pawned valuables.

4% Have been behind in their rent or mortgage.

4% Reported “serious” difficulties such as having utilities shut off, repossession or bankruptcy.



Do You Check for the Following on Your LES?



- Allotments
- Deductions
- Current Leave Balance
- Gross and Net Pay
- Notice anything different or unusual
- What is Net Pay?





Personal and Family Budgeting



- **Live within your income**
- **Realize personal goals**
- **Maintain a good credit history**
- **Get more for your money**
- **Reduce financial stress and arguments**
- **Achieve competence and confidence**



Income Planning



Basic Spending Plan Guideline .. Not a rule

- **20% for Indebtedness**
- **70% for Family/Personal Living Expenses**
- **10% for Savings**



Importance of Good Credit



- A credit card in someone's hand will cause an increase in spending of 32%.
- Average American family has 9 credit cards with an average total balance of \$3,900 at an interest rate of 18%.
- 43% of credit card holders make only the minimum required monthly payments at least part of the time.
- On a \$5000 charge at 18%, if you make minimum monthly payment, it will take 40 years, and you will have paid \$13,397 in interest!



Possible Warning Signs of Credit Abuse (1 of 3)

- **Paying bills on time, but use credit cards because of no cash.**
- **Savings account balance shrinking or have none.**
- **Receiving calls about your delinquent accounts.**
- **Borrowing from friends/relatives.**
- **Considering a bill consolidation loan.**



Possible Warning Signs of Credit Abuse (2 of 3)

- **Life would be difficult if you lost your credit cards.**
- **Hiding your monthly credit card statements from your family.**
- **More than 20% of your take-home pay is spent on credit card payments.**
- **Juggle/put off paying other bills so you can pay your credit cards on time.**



Possible Warning Signs of Credit Abuse (3 of 3)



- **Applied for a second VISA or MasterCard with a higher credit limit.**
- **Usually pays only minimum monthly payment.**
- **Monthly charges are more than your monthly payments.**
- **Cash advance from one credit card to make payments on other credit cards.**



Debt Recovery



- Know your debts - add them up.
- Know your spending needs - Do you spend too much?
- Separate the needs and wants in your spending.
- Have a good idea of what your bottom line needs are.
- Create a Spending Plan (70/20/10).
- Live within your budget.
- Power Pay is a great way to become debt free.



LIFE INSURANCE



TYPES OF LIFE INSURANCE:

TERM-Insurance coverage for specific period of time.

WHOLE LIFE-Insurance with a built in Savings program

BUY TERM--INVEST THE REST



INSURANCE KEY FACTS

YOUR INSURANCE NEEDS ARE BASED ON YOUR:

- * AGE**
- * DEPENDENTS**
- * SAVINGS**
- * DEBT**

Remember You are automatically covered under SGLI up to \$250,000.00

Each child insured for \$10,000 (free of charge)

Option to purchase for your spouse is available.



INSURANCE SCAM AND FRAUD TIPS



- **ALWAYS Shop Around Before You Buy.**
- **Don't be fooled by SGLI conversion scams.**
- **Sales people only make money if you BUY.**
- **Companies are required to have approval to operate on base.**
- **BUY insurance, don't be SOLD insurance.**
- **FFSC Financial Counselors/Command Financial Specialist advice is ALWAYS free.**



Consumer Awareness Tips



- Carefully investigate “free” or “bargain” offers.
- Don’t be rushed into signing anything.
- Don’t rely on verbal promises.
- Ask questions about the product until you understand it.
- Be leery of businesses with a P.O. Box address.
- Comparison shop.
- Check the guarantee or warranty.
- Can you REALLY afford it?



Car Buying

- **No Cooling Off Period on Car Purchases.**
- **Hawaii has Lemon Law for New and Used Cars**
- **What can you afford? Don't forget the cost for maintenance and insurance. Get financing in order.**
- **Must know the difference between: Hawaii Sticker Price, MSRP, and Invoice Price in order to get a good deal.**
- **You must be educated/informed or the dealership will make big bucks from you!**
- **FFSC Car Buying Strategies Class WILL save you money on a new or used vehicle.**



Fraud, 'Con', and Rip-Offs

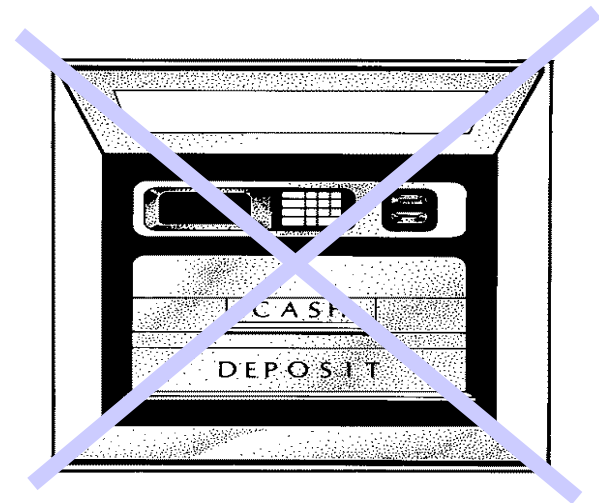
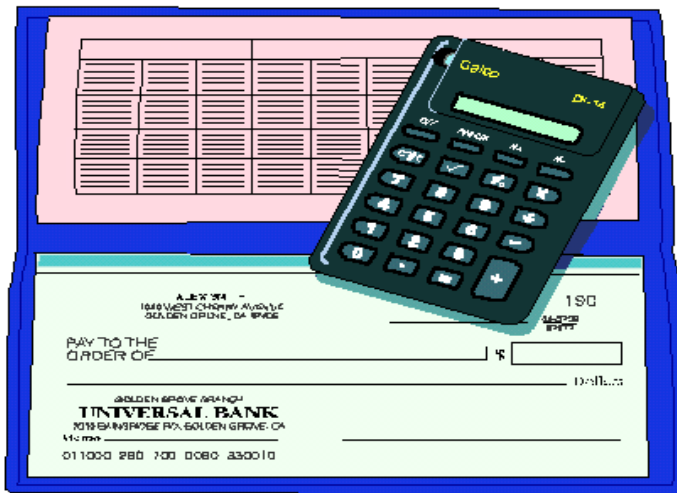


- Auto repair frauds
- Chain Referrals
- Title Loans
- Charity Rackets
- Contest and Free Gifts
- Pay Day Advances
- Door to Door
- Internet Scams
- Free
Inspections
- Get Rich Quick
- Identity Theft
- Credit Repair
- Rent to Own



CHECKING ACCOUNT MANAGEMENT

- Do you record transactions?
- Do you reconcile statements?
- NEVER go by your ATM balance
- Understand ATM fees
- Internet and Phone Banking





WHAT A \$5 BOUNCED CHECK COULD COST YOU!

\$5.00

Check Amount

12.50

Bank's Return Check Fee

12.50

2nd Time Processed

20.00

Business' Return Check Fee

**TOTAL COST FOR THIS \$5.00 CHECK IS
\$50**

_____ 19____ =

PAY TO THE
ORDER OF _____ \$

_____ DOLLARS

FOR _____



Savings



- Start as early as possible.
- Let compound interest work for you.

-Watch rates

of return over time

- Regular Savings Account

- Certificate of Deposit (CDs) or Time Deposits

- Money Market Accounts (MMA)

- U.S. Savings Bond

- Investments

- Thrift Savings Plan



Is it worth it?



\$50 monthly savings in bank account

3% Interest

1 year - \$609
10 years - \$7,004
30 years - \$29,209
40 years - \$46,418

Put in > \$24,000
End up with > \$46,418

10% Interest

1 year - \$633
10 years - \$10,327
30 years - \$113,966
40 years - \$318,839

Put in > \$24,000
End up with > \$318,839



Thrift Savings Plan



- **Open Season:** **Oct 15 – Dec 31**
 Apr 15 – Jun 30
- **Open to all service members**
- **Deposit pre-tax dollars into tax deferred plan**
- **Up to 8% of base pay per month(2003) plus total amount of any special pays and bonuses (maximum \$12,000/year in 2003)**
- **No government match (technically a savings plan, not a second retirement plan)**



Thrift Savings Plan

- All money belongs to service member
- Upon separation or retirement can take cash (minus taxes), keep in TSP, transfer to new employer's plan or own IRA
- Substantial penalties for withdrawing money prior to age 59 1/2
- Some options for borrowing against plan while still on active duty



Thrift Savings Plan

- **Five investment options**
 - **G Fund (Government Securities Investment Fund)**
 - **F Fund (Fixed Income Investment Fund)**
 - **C Fund (Common Stock Investment Fund)**
 - **S Fund (Small Cap Stock Index Investment Fund)**
 - **I Fund (International Stock Index Investment Fund)**
- **Participant directed**



Strategy and Practical Tips



- Spend less than you earn.
- Make your money work as hard as you do.
- Remember if you don't see it, you don't spend it.
- Create savings and investment goals.
- Use the allotment system.
- Shop wisely before choosing a bank.
- Good communication for couples/mutual goals



Fleet and Family Support Center

- Financial Counseling
 - Debt Liquidation
 - Power Payment Program
- WIC/Food Stamp Applications

CLASSES

Managing Money and Credit
Car Buying Strategies
Checking Account Management
Financial Awareness for Spouses
Million Dollar Sailor (2 Day Class)
Savings and Investment Basics
Life Insurance Basics
Money Skills for Kids/Teens
Preparing for the Holidays Financially

